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SUBJECT: SQUEEZING BELARUS, BUT NOT UNTIL IT POPS

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Classified By: Minister-Counselor for Political Affairs Kirk Augustine.
Reasons: 1.4(B/D).

[1](#)1. (C) Summary. Moscow's embrace of Lukashenko before and immediately after his March 19 reelection has tightened into a clench. Analysts here agree the GOR has sent a blunt message to Lukashenko: he needs to move from talk to action on at least economic integration. Some observers see Moscow's approach as a sign Putin is "playing the Union State card" as part of his presidential succession strategy, and others suggest the Kremlin is pursuing both Union State (as a maximum benefit) and control over state-owned energy company Beltransgaz (at a minimum). Other CIS-watchers think Moscow chiefly wants economic benefits from Belarus, contending that there is insufficient support in either country for pressing to make the Union State a reality in the short term. One experienced CIS observer predicts Russian-Belarusian relations will remain at an impasse, as Lukashenko draws on his ample experience in resisting Moscow's pressure. While the pressure has been stepped up, we expect Putin will take care to avoid pushing Lukashenko to point of destabilizing Belarus. In the lead-up to the G-8 summit, there is likely to remain little common ground between the West and the Russians on Belarus, since real steps toward democratization there would introduce risks Moscow is unwilling to accept. End Summary.

Kremlin Strategy on Belarus

[1](#)2. (C) Most observers with whom we have spoken in recent weeks agree that following the March election, the Russian government has sought to use its leverage on Lukashenko to extract significant benefits. Independent Ekho Moskvyy Editor-in-Chief Aleksey Venediktov told us Putin had laid down a blunt marker for Lukashenko, saying that gas prices would soon rise to world levels; that Russia wanted to conclude a comprehensive gas deal; and that Belarus should expect to become part of the Russian Federation. A unnamed senior Kremlin official floated the same formula in the press May 15: "If Belarus wants cheap gas, it should become a part of Russian territory." Beyond that, official Moscow has been mum on likely next steps. The Russian MFA has for some time been a source only of bland statements about bilateral relations, reflecting its marginal role in Belarus policymaking (ref B). Security Council Deputy Secretary Zubakov and State Duma CIS Committee Chairman Kokoshin have recently passed over opportunities to comment on developments in Belarus, while other Russian officials -- notably, Federal Assembly International Affairs Chairmen Margelov and Kosachev -- have also kept relatively quiet on that issue. Our contacts are interpreting the de facto "no comment" line as a sign the Belarus file has been moved into Putin's office.

[1](#)3. (U) In the press, a May 12 Kommersant article (entitled

"Lukashenko Is Being Readied For A Hostile Takeover" and citing unnamed Kremlin insiders) reported the existence of Presidential orders calling for "exhaustive measures" to put economic, financial, and trade relations with Belarus on a market-based footing. Those measures began with Gazprom's renewed bid for Beltransgaz's pipeline network and its threat to sharply increase gas prices, the article said. On May 26 the same newspaper reported that Belarusian Prime Minister Sidorskiy had sent Russian Prime Minister Fradkov a letter complaining that the foundations of the Union State were being undermined by Russian policy. Fradkov was "not hurrying" to respond to Sidorskiy's letter, Kommersant reported.

Is It A Push for Anschluss...

14. (C) Against that background, some here speculate that 10-year old plans for a Russian-Belarusian Union State may have a new lease on life as a potential succession vehicle for Putin. BBC Moscow Bureau Chief Konstantin Eggert told us he did not discount that Putin's sharp message to Lukashenko was a sign the Kremlin is "playing the Union State card" as part of its succession strategy. Eggert said Deputy PM and Defense Minister Sergey Ivanov had hinted to journalists in an off-the-record meeting in February that relations with Belarus would soon undergo a change. Heading the Union State would offer Putin the "cleanest possible" way to stay in power after 2008 and consolidate his legacy, Eggert argued. In that scenario, Gazprom's threats to treble the price of Russian gas deliveries to Belarus would be intended to force Lukashenko from power and give the people of Belarus a chance to express their "free will" (on the assumption they would approve the Union State). Eggert thought Belarusians would

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in fact favor the Union State by a 60-40 majority, if sops to Belarusian "sovereignty" were included. The West would be in a poor position to criticize market pricing or a Union State endorsed by a free vote of the Belarusian public.

15. (C) Dmitriy Oreshkin, an analyst with the Mercator Group, agreed that the Kremlin is eager to move forward with the Union State negotiations. Concluding a Union State treaty, he pointed out, would solve the "third-term dilemma," effectively remove Lukashenko (whom he called an "embarrassment" to the Kremlin) from power, and thereby position Russia as the "savior of democracy." The West (or at least many Europeans), such thinking goes, would even be grateful to Russia for removing the last dictator in Europe. But Oreshkin did not believe Lukashenko would give up power voluntarily, and (unlike Eggert) he thought an overwhelming majority of Belarusians would strongly resist the Union.

16. (SBU) Center for Political Technologies Director Igor Bunin suggested the Kremlin is pursuing a "multi-vectored" approach aiming at a Union State (as a maximum goal) and control over Beltransgaz (as a minimum). He suggested that the Kremlin sees the creation of a genuinely functioning Union State, in which Belarus would fall de facto under the sovereignty of Russia, as the only alternative to a pro-Western path of development in Belarus after the next election. In the near term, Bunin predicted Russian-Belarusian relations could undergo a period of open conflict, with Lukashenko dialing up his anti-Russian rhetoric and Moscow increasing economic pressure, perhaps even by turning off gas supplies before next January.

...All About Economics...

17. (C) Other analysts told us that for Putin, economic integration -- including control of Beltransgaz, a single currency and access to Belarusian state assets -- was highest on the bilateral agenda. RFE/RL CIS correspondent Vitaliy Portnikov saw the Kremlin's call for integration as "chiefly

economic," but thought Lukashenko would not ink the Union State treaty or sign away Beltransgaz's pipelines, since either move would mean giving up political control. More likely, Portnikov said, Lukashenko would do everything possible to extend Union State talks past 2008, at which point he would expect to have a new negotiating partner in Russia.

18. (C) Moscow-based opposition leader and former Belarusian General Valeriy Pavlov said the Kremlin saw Lukashenko, with some justification, as an impediment to economic integration and wanted to exchange him for "someone more reliable." Talk of the Union State, Pavlov maintained, is driven by the force of inertia. Pavlov supported proposals to trade Beltransgaz's pipelines for upstream assets or other concessions. After all, he contended, if Russia redirected gas transport through the Baltic Sea pipeline, Belarus could lose revenue and its role as gatekeeper. Given what he described as broad dislike for Lukashenko and united opposition leader Milinkevich's lack of charisma, Pavlov put forward former Presidential candidate Kozulin as the best possible "compromise candidate" to replace Lukashenko. He added that Lukashenko had kept Kozulin -- unlike Milinkevich and Communist Party leader Kolyakin -- in jail because he is genuinely afraid of the political traction that Kozulin has with ordinary Belarusians. (Pavlov said he is putting together a group of Russian human rights advocates to protest Kozulin's ongoing detention, and asked why the U.S. had not joined many European countries in condemning the illegal jailing and calling for Kozulin's release.)

19. (C) Olga Potemkina, Head of European Integration Studies at the Institute of Europe, said Lukashenko's foreign policy was unpredictable and interfered with forging stronger economic ties. Lukashenko was a "bad ally for Russia" who needed to be "put in his place." Eliminating subsidies to the Belarusian economy would be the first step in doing that. Potemkina saw no need for Western help in that effort, terming U.S. and EU visa restrictions on GOB officials a "violation of human rights." Potemkina thought there was not enough support in Russia or Belarus for ratification of the Union State treaty.

...Or Business As Usual in the CIS?

10. (C) CIS Institute Belarus Section Chief Aleksandr Fadeyev told us he was not convinced Russia's Belarus policy had entered a new phase. Two earlier gas rows with Belarus had occurred, the Union State negotiations have already dragged on for ten years, and the two countries have still not reached an agreement even on common citizenship.

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Lukashenko wanted union only on his own terms, Fadeyev said, and even in Russia there was little taste for genuine union, since that would bring Lukashenko's entourage to Moscow and give the odious dictator -- who is popular in the Russian provinces -- entree into Russian politics. Council on Foreign and Defense Policy head Sergey Karaganov told a recent Washington visitor that all talk of a Union State foundered on the key unresolved issue of what Lukashenko would do the day after the Union State was formed. Until that question was resolved, the Union State would not go forward.

11. (C) CIS watcher Fadeyev acknowledged that raising gas prices sharply would hurt the Belarusian economy, but the impact could be undercut, he said, by possible Chinese credits offered to Lukashenko during a trip to Beijing. In any case, Lukashenko would be willing to sacrifice Belarusian GDP for a continued hold on power -- a point on which Fadeyev and Portnikov agreed. Unlike Russians or Ukrainians, Fadeyev said, the Belarusian people still enjoy a high degree of economic equality and tough times would hit everyone equally, making unrest unlikely. Fadeyev also thought Western

sanctions would not bear fruit since, Lukashenko is already quite accustomed to being isolated. Nor did Fadeyev believe local elections this fall would provide further impetus to a nascent revolutionary spirit in Belarus, as they will be tightly controlled by the regime.

Comment

¶12. (C) Despite Putin's well-known personal antipathy to Lukashenko, Russia supported his reelection this spring to preclude any possibility of a Belarusian drift out of a Moscow-centric orbit. With that danger temporarily removed, the Kremlin has now stepped up the pressure on Lukashenko to pay up. It is impossible to dismiss out of hand a Union State succession scenario designed to keep Putin in power after 2008, but that option would sharply raise the number of variables the Kremlin would have to keep under control. It would entail, e.g., convincing Lukashenko to go quietly (or orchestrating his removal against his will) and organizing "free and fair" -- and positive -- referenda in both Belarus and Russia to dilute Western criticism. The "retaining-power-via-a-Union-State" scenario also implicitly presumes that Putin in fact wants to remain in office, which we (and most analysts in Russia) do not assume.

¶13. (C) Our sense is that pressing for political integration remains at this time primarily an instrument for eliciting acquiescence to the maximum possible Russian influence over the Belarusian economy, above all in the gas sector -- though well-placed Russian officials and businessmen reportedly see Belarusian state property (yet to be privatized) as cherries ripe for picking. Achieving real movement toward political integration would of course be an historic achievement in Russian eyes if successful, but Putin would have to worry that pushing Lukashenko to the wall could initiate an unpredictable dynamic leading to chaos, anti-Russian activities, or even the emergence of a Westward-leaning government. That kind of high-risk undertaking seems unlikely as Putin heads for the barn.

¶14. (C) Ideally, the Kremlin would like to squeeze Lukashenko quietly, beyond the effective range of prying Western eyes and wagging Western tongues. The GOR has accordingly resisted a "Belarus" agenda item for G-8 discussion. We expect Moscow to continue to play a double game, "protecting" Belarus from "outside interference" while pressing to extract maximum economic concessions, without creating a power vacuum in Minsk into which Western air could seep or rush.

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